

## Senate Economics References Committee

Inquiry into Australia's sovereign naval shipbuilding capability –  
13 November 2020

### COMMITTEE INQUIRY QUESTION ON NOTICE

Department of Defence

**Topic:** SERC - Australia's sovereign naval shipbuilding capability – 13 Nov 2020 - Q1 -  
CDIC support to Small and Medium Enterprises - Gallacher

**Question reference number:** 1

**Senator:** Alex Gallacher

**Type of question:** Written

**Date set by the committee for the return of answer:** 27 November 2020

#### **Question:**

Can you please provide a breakdown of the businesses that received assistance from the CDIC over the last five years – on notice if necessary? How many were:

- a) Companies created in Australia and doing their work in Australia?
- b) Companies created in Australia that do their work in other countries?
- c) Overseas companies that have created an Australian branch and are doing the work in Australia?
- d) Overseas companies that have created an Australian branch but still do the majority of their work overseas?

#### **Answer:**

All companies receiving Centre for Defence Industry Capability (CDIC) assistance must meet eligibility requirements, including holding an Australian Business Number. The eligibility requirements differ slightly across services and grant programs, but applicants are generally required to be a company or entity incorporated in Australia.

The CDIC has provided business advisory services to more than 1,000 Australian companies since being established in late 2016. The CDIC collects service eligibility and financial viability information as part of its assurance during the application process. Defence has not been able to fully analyse the more than 1000 advisory services provided since 2016 in response to this question in the short time frame provided.

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### COMMITTEE INQUIRY QUESTION ON NOTICE

Department of Defence

**Topic:** SERC - National Naval Shipbuilding Capability - 13 Nov 2020 - Q8 - Defence Purchasing - Patrick

**Question reference number:** 8

**Senator:** Rex Patrick

**Type of question:** Written

**Date set by the committee for the return of answer:** 27 November 2020

#### Question:

Mr Fraser made a comment “It is a cultural change, and it is a journey that we're coming from where we used to buy most equipment during the mining sector, in particular, off- the-shelf from overseas to now being truly Australian industry capability and driving that capability and sovereign capability requirements.”

1. What is meant by “used to buy most equipment during the mining sector”?

#### Answer:

A large proportion of Defence acquisition during the growth in the mining sector in Australia (2006-2014) were acquired through foreign military sales. Australian industry participation was focussed on sustainment and specific local modifications.

Since the *2016 Defence White Paper*, *2016 Integrated Investment Program*, and the *2016 Defence Industry Policy Statement* and strengthened through the *2020 Force Structure Plan*, Defence acquisitions have increased the level of Australian industry participation across our Groups. For example:

- Australian industry will play a vital role in the Boxer Combat Reconnaissance Vehicle program, with Rheinmetall Defence Australia committing to Australian expenditure of approximately \$1.858 billion in the acquisition and early sustainment phases. In addition, there will be significant investment in Australian industry for the Infantry Fighting Vehicle program, with the recommendation on preferred tenderer to be presented to Government in 2022.
- The renewal of shipbuilding in Australia has also driven a significant change across the local industrial landscape with a planned investment of around \$183 billion that will lift Australian industry capability and generate an internationally competitive naval shipbuilding and sustainment sector in Australia.

- Under Project LAND 4502 – Additional Chinook Facility at RAAF Base Townsville – Defence will deliver aircraft shelters, a logistic supply facility, working accommodation and tarmac parking for three Chinook helicopters. Construction commenced in July 2019, and is on track for completion in December 2020. It is anticipated that the Project will achieve 90 per cent local industry participation, with 34 of the 37 proposed sub-contract packages being awarded to local businesses and contribute approximately \$40 million to the local economy. The Project’s Contractor, Lend Lease, have also had a broader positive social impact on the community with three sub-contract packages let to local indigenous businesses and employing local students from James Cook University.

## **Senate Economic References Committee**

Inquiry into Australia's sovereign naval shipbuilding capability -  
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Department of Defence

**Topic:** SERC - CDIC - Australia's sovereign naval shipbuilding capability - 13 Nov 2020 -  
Q14 - Rationale for establishing the CDIC - Patrick

**Question reference number:** 14

**Senator:** Rex Patrick

**Type of question:** Written

**Date set by the committee for the return of answer:** 27 November 2020

### **Question:**

What was the rationale for establishing the CDIC inside the Department of Industry?

### **Answer:**

The CDIC was originally established within the Department of Industry, Science, Energy and Resources to draw on the expertise of existing AusIndustry business service and program delivery infrastructure and to promote collaboration with other industry assistance programs, such as the Entrepreneurs' Program.

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### **COMMITTEE INQUIRY QUESTION ON NOTICE**

Department of Defence

**Topic:** SERC - CDIC - Australia's sovereign naval shipbuilding capability - 13 Nov 2020 - Q16 - Employee limitation - Patrick

**Question reference number:** 16

**Senator:** Rex Patrick

**Type of question:** Written

**Date set by the committee for the return of answer:** 27 November 2020

#### **Question:**

1. During the hearing lifting the limitation of 200 employees was discussed, and Mr Fraser mentioned an example of a company with 210 employees, being excluded.
  - a. If this is changed what will the revised employee limit be?
  - b. What other limitations or criteria will there be in relation to being eligible for assistance?

#### **Answer:**

The review of the CDIC included a recommendation regarding lifting the existing limitation on access to CDIC services to businesses of 200 employees or less. A team has been established to work through the implementation of the recommendations of the review. Determination of eligibility requirements, including any revised employee limit, is part of this process.

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### **COMMITTEE INQUIRY QUESTION ON NOTICE**

Department of Defence

**Topic:** SERC - CDIC - Australia's sovereign naval shipbuilding capability – 13 Nov 2020 - Q17 - Figure 13 of CDIC Review - Patrick

**Question reference number:** 17

**Senator:** Rex Patrick

**Type of question:** Written

**Date set by the committee for the return of answer:** 27 November 2020

#### **Question:**

For Figure 13 (pg 26) of the CDIC review, specifically the y scale?

#### **Answer:**

The y scale in Figure 13 shows the self-reported sales revenue for the Centre for Defence Industry Capability's (CDIC) business advisory and facilitation services clients. For businesses with multiple applications for business advisory and facilitation services, the reviewers analysed only the most recent financial year data. So that the analysis was not skewed, data for companies with self-reported sales revenue >\$500 million were excluded. The data for this Figure was provided to the Reviewers by the CDIC.

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### **COMMITTEE INQUIRY QUESTION ON NOTICE**

Department of Defence

**Topic:** SERC - CDIC - Australia's sovereign naval shipbuilding capability – 13 Nov 2020 - Q18 - Figure 14 of CDIC review - Patrick

**Question reference number:** 18

**Senator:** Rex Patrick

**Type of question:** Written

**Date set by the committee for the return of answer:** 27 November 2020

#### **Question:**

Please explain how figure 14 (p 26) relates or has relevance with the naval shipbuilding sector?

#### **Answer:**

At the time of producing the report, Figure 14 shows which Capability Stream (from the 2016 Defence Integrated Investment Program) the Defence Industry Capability Industry's current and new clients have the potential to work in. Several of the Capability Streams have a maritime component.

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### **COMMITTEE INQUIRY QUESTION ON NOTICE**

Department of Defence

**Topic:** SERC - CDIC - Australia's sovereign naval shipbuilding capability – 13 Nov 2020 - Q21 - Guidance from CDIC to Defence Industry - Patrick

**Question reference number:** 21

**Senator:** Rex Patrick

**Type of question:** Written

**Date set by the committee for the return of answer:** 27 November 2020

#### **Question:**

1. What guidance/advice has the CDIC provided to defence industry regarding Defence's needs of industrial capability?
  - a. How has this been implemented?
  - b. To which organisations/companies?

#### **Answer:**

CDIC Defence Industry Facilitators and Defence Business Advisers provide businesses with tailored advice on improving their capability and competitiveness to best take advantage of defence market opportunities, including advice on how their capability aligns with Defence's requirements.

The CDIC also provides advice and education on Defence capability priorities through a range of outreach activities, both face-to-face and online. The CDIC has held events such as the Introduction to the Defence Market workshop series, run in 2018, and Defence Trade Show Preparation Workshops, run in the lead-up to major Australian defence industry events.

In response to COVID-19 and social distancing restrictions, the CDIC's stakeholder outreach program has been adapted to provide more education for businesses in online formats. Online events and resources cover a range of topics to help businesses succeed in the Defence supply chain, including how to do business with Defence, Defence procurement programs, assistance available for small to medium enterprises, and the skills required to be successful in Defence.



Apart from advice provided in response to specific requests by businesses, the CDIC also provides advice and information through a range of communications channels:

- the CDIC website on [business.gov.au](https://business.gov.au);
- the Defence Industry & Innovation Newsletter, distributed to over 4,400 subscribers;
- [business.gov.au](https://business.gov.au) social media channels;
- [business.gov.au](https://business.gov.au) Contact Centre; and
- participation at major Australian defence industry events.

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### **COMMITTEE INQUIRY QUESTION ON NOTICE**

Department of Defence

**Topic:** SERC - CDIC - Australia's sovereign naval shipbuilding capability – 13 Nov 2020 - Q22 - ABS Feasibility Study - Patrick

**Question reference number:** 22

**Senator:** Rex Patrick

**Type of question:** Written

**Date set by the committee for the return of answer:** 27 November 2020

#### **Question:**

1. At the hearing on 13 November, Dr Sawczak, advised Defence was working with 'ABS' to undertake a feasibility study.
  - a. Who or what is ABS?
  - b. What is the scope of the feasibility study?
  - c. What is the timeline?

#### **Answer:**

- 1a. The Australian Bureau of Statistics (ABS).
- 1b. The feasibility study will assess whether the defence industry sector can be more readily measured for the purposes of building Australia's defence industrial capability. Defence is looking at a range of options to better measure defence industry, which will be announced in due course.
- 1c. The feasibility study report will be provided to Defence at the end of 2020.

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### **COMMITTEE INQUIRY QUESTION ON NOTICE**

Department of Defence

**Topic:** SERC - CDIC - Australia's sovereign naval shipbuilding capability - 13 Nov 2020-  
Q23 - Maturity of Capability Modelling - Patrick

**Question reference number:** 23

**Senator:** Rex Patrick

**Type of question:** Written

**Date set by the committee for the return of answer:** 27 November 2020

#### **Question:**

1. At the hearing on 13 November, in response to a query about maturity of capability, Mr Fraser indicated that was part of the modelling. Could CDIC please:
  - a. Explain what is being modelled?
  - b. Who is conducting the modelling?
  - c. Is any of this modelling specific to shipbuilding?
  - d. Advise the timeline for the modelling?

#### **Answer:**

Defence has begun modelling the supply chains of both existing platforms and new projects. Using modern tools, which allow the analysis of large quantities of data, supply chains can be examined back to their source. When brought together with data provided to the Centre for Defence Industry Capability by Australian businesses and other available databases, the intent is to identify economically viable opportunities for Australian companies at an enterprise level across platforms.

While this modelling was initiated within the maritime domain, it will be extended to other domains in due course.